# Department of Justice

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## JUSTICE DEPARTMENT RECOMMENDS APPROVAL OF VERIZON'S APPLICATION TO PROVIDE LONG DISTANCE SERVICES IN NEW JERSEY

### Department Notes Concern with Regard to Certain Prices

WASHINGTON, D.C. - The Department of Justice today recommended that the Federal Communications Commission (FCC) approve Verizon's application to provide long distance services in New Jersey. At the same time, the Department raised concerns about certain recent changes in prices charged to competitive local exchange carriers (CLECs).

"Conditions in New Jersey local telecommunications markets now appear favorable to fostering competition," said Charles A. James, Assistant Attorney General in charge of the Department's Antitrust Division. "Competitors have made progress in penetrating the business market in New Jersey, and the Department believes there are no longer any material non-price obstacles to residential competition in the state."

Three days before Verizon's application for long distance authority was filed at the FCC, the New Jersey Board of Public Utilities issued a summary order to reduce unbundled network element (UNE) prices. In its evaluation, the Department noted that while the New Jersey order had reduced most prices for UNEs in the state, it had also instituted a significant increase in Verizon's one-time charges for "hot cuts," the process by which Verizon physically disconnects a customer's phone loop from its own switch and reconnects it to a CLEC's switch. Several CLECs asserted that these charges for hot cuts could impede their ability to compete in New Jersey.

The Department's evaluation also noted that oversight of Verizon's performance concerning wholesale billing functions in New Jersey may be appropriate in view of the problems found last year with Verizon's Pennsylvania wholesale billing systems, which are the same systems that Verizon uses to bill CLECs in New Jersey.

The Department provided its competitive analysis in an evaluation of Verizon's application to provide long distance services in New Jersey under Section 271 of the Telecommunications Act of 1996.

Since the break-up of the integrated Bell system as part of the AT&T divestiture, the independent Bell Operating Companies, or BOCs, have been barred from providing long distance services in their respective regions, first as part of the divestiture decree, and now under the terms of the Telecommunications Act. Under Section 271 of the Act, a BOC, such as Verizon, may not provide in-region long distance services until it demonstrates to the FCC that it has met a variety of legal requirements designed to open the local telecommunications markets in a particular state to competition.

In considering whether to approve a BOC's application for long distance authority in a particular state, the FCC must consult with the Department of Justice and give "substantial weight" to its assessment of competitive conditions and whether the BOC should be allowed to provide in-region long distance services.

Verizon filed its application with the FCC on December 20, 2001. Under the terms of the Act, the FCC must approve or deny the application within 90 days. A copy of the Department's evaluation will be available at:

**http://www.usdoj.gov/atr/public/comments/sec271/sec271.htm.**

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